

[17 August, 2000]

RAJYA SABHA

News-item captioned “Disinvestment process all set to hit its first legal hurdle”

2378. SHRI P. PRABHAKAR REDDY: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Government's attention has been drawn to the news-item, “Disinvestment process all set to hit its first legal hurdle”, appearing in the Business Standard, dated 22nd July, 2000;

(b) if so, Government's reaction thereto;

(c) whether Government have any proposal to take any pre-emptive legal and administrative action in the matter; and

(d) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) and (b) Yes, Sir.

(c) and (d) In such matters action is taken by the Government as per the procedure prescribed.

Method Adopted by Developing Countries for Disinvestment

2379. SHRI VEDPRAKASH P. GOYAL: Will the Minister of DISINVESTMENT be pleased to state:

(a) what is the method adopted by other developing countries of the World for disinvestment of Public Enterprises;

(b) whether we are following the same trend or ours is a different method;

(c) the details thereof;

(d) which other countries have successfully achieved the target of disinvestment; and

(e) what steps Government propose to take to expedite the process considering our poor performance?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) to (d) According

to available information, developing countries have adopted one or more of the following methodologies for privatisation of their State-owned Enterprises:—

1. Public flotation on the stock exchange, either by fixed price or by tender offer with a minimum price.
2. Management/employee buy-out.
3. Placing with a group of “strategic” investors or joint venture partners.
4. Trade sale in which a company is sold to a single person or a consortium.
5. Public auctions (usually for small or medium enterprises).
6. Mass or voucher privatisation; and
7. Liquidation, followed by sale of assets (usually for PSEs which are not viable).

Direct sales targeted at strategic investors and privatization through public offering are the common methods of divestiture in developing economies. Developing countries have sold both large enterprises especially those in the infrastructure sector as well as smaller enterprises including shops, micro enterprises and kiosks in retail and service sectors.

Privatisation proceeds in emerging markets during 1990—96 are given in the following table:—

Privatization proceeds in emerging markets 1990—96
(\$ billion)

| | |
|--------------------------------------|------|
| Latin America and Caribbean of which | 82.4 |
| Argentina | 23.5 |
| Brazil | 15.6 |
| Mexico | 26.0 |

| | |
|---------------------------------------|------|
| Europe and Central Asia of which | 30.5 |
| Hungary | 10.2 |
| Poland | 3.6 |
| Turkey | 3.1 |
| Russia | 2.4 |
| East Asia and Pacific of which | 27.1 |
| China | 7.9 |
| Indonesia | 5.0 |
| Malaysia | 9.3 |
| South Asia of which | 8.0 |
| India | 5.7 |
| Pakistan | 1.9 |
| Sub. Sahara and Africa of which | 3.8 |
| South Africa | 1.2 |
| Kenya | 0.8 |
| Nigeria | 0.7 |
| Middle East and North Africa of which | 3.5 |
| Egypt | 1.9 |
| Morocco | 1.1 |

No information is available on the targets that were set in these countries for these years.

In India, initially a small percentage of Government equity in selected Central Public Sector undertakings were sold to financial institutions in bundles by auction. Thereafter, small percentage were offered in Indian and international markets. Strategic sale of shares to strategic investors has started recently. Government policy is to encourage strategic sales, in line with the recommendations of the Disinvestment Commission.

(e) Government has set up a separate Department to deal with all the matters relating to disinvestment in Public Sector Enterprises. The procedures being followed have been streamlined to expedite the process. At present disinvestment proposals in 19 companies have

been cleared and in 'principle' approval for disinvestment in another 13 companies has been granted.

Restructuring Proposals of HMT Ltd.

2380. SHRI J. CHITHARANJAN:
SHRI V.V. RAGHAVAN:

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

(a) whether it is a fact that the restructuring proposal of the Hindustan Machine Tools Ltd. (HMT) has been sent to a group of ministers (GOM); and

(b) if so, the details of the proposal and decision taken on the proposal?

THE MINISTER OF STATE IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (DR. VALLABHBHAI KATHIRIA): (a) and (b) A proposal on the turnaround plan of HMT was referred to a Group of Ministers, whose recommendations have been approved by the Government. The salient features of the approved turnaround plan are as under:

- (i) Conversion of GOI loan of Rs. 39.70 crore into equity and write-off of interest accrued thereon of Rs. 12.74 crore.
- (ii) Infusion of fresh equity of Rs. 250 crore.
- (iii) Five unviable units to be closed down and Voluntary Retirement Scheme (VRS) extended to the 454 employees.
- (iv) Government to guarantee issue of bonds by HMT to raise Rs. 469 crore for funding VRS for retiring 6493 employees within 2 years and provide interest subsidy of 50% along with guarantee fee waiver.
- (v) The Machine Tool and Watch Group would be converted into subsidiaries by 31.12.2000. These subsidiaries would